



vermont affordable housing coalition

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July 18, 2014

Brian Pine  
Assistant Director for Housing  
Community & Economic Development Office  
149 Church Street  
Burlington, VT 05401

**Re: Comments on Downtown Housing Strategy Report**

Dear Brian,

Thanks for the opportunity to comment on the City's most recent Housing Report and its recommendations. We applaud the City's renewed efforts to examine its affordable housing needs and to implement policies that can help alleviate what has truly been a chronic problem for over thirty years, in spite of the City's many creative and innovative efforts to alleviate it. Please consider these the Vermont Affordable Housing Coalition's comments on the report and its recommendations.

As you know, the Coalition is a statewide membership organization dedicated solely to ensuring that all Vermonters have decent, safe and affordable housing. With over 80 organizational members, we represent Vermont's non-profit affordable housing developers, housing and homeless advocacy groups, housing authorities, planners, funders, state agencies, and others who support affordable housing. Together, our members provide housing and services to tens of thousands of low-income Vermonters, many of whom have special needs. CEDO has been a long-standing member and, indeed, helped found the Coalition many years ago.

Certainly the report makes a compelling case that Burlington still, after many years of concerted effort, has considerable rental housing affordability challenges. In fact, data from the National Low Income Housing Coalition's "[Out of Reach 2014](#)" report, released after research for the City's study was apparently completed, shows an even worse picture: The "Housing Wage" for the Burlington-South Burlington Metropolitan Statistical Area (MSA) in 2014 is actually \$25.17, based on a HUD Fair Market Rent for a two-bedroom apartment of \$1,309, including utilities.<sup>1</sup> The study cites a need for 2.1 full-time jobs at the area's mean renter wage of \$12.06 an hour, or \$26,593 a year, to afford this modest two-bedroom apartment without paying more than 30 percent of income (the City report cites 1.6 jobs). Moreover, 2.9 jobs are needed for folks working at the State's current minimum wage. For people living on fixed incomes, the gap between what they can afford and what is available on the market is absolutely daunting: a whopping \$775 a month for someone on SSI.

These numbers underline the dire need for additional rental housing affordable to people in the lowest income brackets – people living on social security, TANF, and SSI; low-income service sector wage-earners; indeed, anyone whose combined household income is below \$52,000. Certainly Burlington has

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<sup>1</sup> The City report cites a 2013 FMR of \$1,029, which pre-dated a revision stemming from appeals by the Burlington Housing Authority and other housing agencies, including the VAHC, and the resulting HUD study of area market rents.

led the way, both statewide and nationally, in creating and preserving housing for these demographics, but the City cannot rest on its laurels as the need is still great and the gap ever-widening!

Here is a brief summary of our concerns with the study, its findings and recommendations, as well as our own recommendations:

- 1. *The City's scarce public resources for investing in affordable rental housing must continue to be directed to housing that is permanently affordable for people in the lowest income brackets***, i.e., below 60% of Area Median Income, with highest priority to those below 30%. The VAHC has followed housing budget and policy developments at the federal level for almost thirty years. The current environment for housing funding is the worst we've ever seen and prospects for the near future continue to look bleak. In a time of such scarcity, public dollars must be prioritized for those with the highest need. This is the sector that the market is unable to reach and that will not be helped through the production of additional market rate housing. In fact they may be hurt by it, as further discussed below.
- 2. *Other scarce City resources and monetary incentives, like land and impact fee waivers, should not be dedicated solely to support market rate housing***. As noted, these resources, too, should first and foremost help defray the capital cost of permanently affordable housing for people in the lowest income brackets.
- 3. *We recommend against the use of property tax abatements or reductions as a way of incentivizing rental housing production***. The VAHC and its members have long held that affordable housing must pay its fair share of property taxes, mostly as an issue of basic tax fairness, but also so as not to increase local resistance to affordable housing and the NIMBY phenomenon, which is already strong in so many quarters. Municipal property taxes are also one of the few revenue sources the City has to support its General Fund and the essential City services it funds. Further, however, Vermont's method of financing education through its statewide property tax makes this an even less attractive proposition. While municipalities can grant exemptions by town vote, the municipality must make up the difference from its own property tax revenues, placing the burden squarely on the rest of a town's tax payers. Finally, under state law, property tax assessment of subsidized rental housing is subject to a specific formula worked out as a compromise between various stakeholders a number of years ago. Any effort to change that would be ill-advised.
- 4. *We strongly support land use and regulatory incentives for the production of both affordable and market rate housing***. We applaud the City's support for H.823, the State's recently passed update of its Smart Growth Development laws. The City's successful application for Neighborhood Development Area designation should help provide regulatory relief from the often duplicative Act 250 process and incentivize appropriate infill development, both Downtown and in its surrounding neighborhoods. We also support increased density, where appropriate, as well as density bonuses in conjunction with the City's Inclusionary Zoning requirements, so long as they are "real." Building to permitted density is often not possible because of other requirements, such as parking, set-backs and lot coverage. The City should look at ways to overcome these barriers to full build-out, especially through the proposed adoption of a Form Based Code.
- 5. *We are wary of the argument that producing market rate housing will ease the burden of affordability on people with more modest incomes***. With a rental vacancy rate that has hovered between 0.25% and 2% for over twenty years, the local market is clearly out of balance and needs rental housing affordable to all income levels except the very highest. That said, trickle-down economics works just as poorly for the housing market as it does for the overall economy. Production of new housing for "young urban professionals," the demographic the report identifies as underserved by the local rental housing market and which it seeks to attract,

will only benefit folks at lower income levels if people in affordable housing move up to more market rate housing. If this strategy were actually successful in attracting more of this demographic to come live in Burlington, it would prevent the very market mobility that would be needed to free up existing housing for lower income renters. Moreover, increased production of new rental housing at the upper end of the market will have the tendency to drag the entire market upwards with it, creating a new “high water mark” and making rents LESS affordable to the folks with the greatest need. The report itself cites two-bedroom rents of \$1,960 a month as the average for new units built since 2005, which would require a whopping annual income of just under \$86,000!<sup>2</sup> Burlington’s rental market is so perennially constrained that landlords can charge pretty much whatever the market will bear, including for lower quality units. Only if the vacancy rate magically jumped to where supply and demand are in relative balance, i.e., at 3% - 5%, would overall market rents not continue to increase as large numbers of new market rate units came on line. But again, this would not occur if the strategy were actually successful in attracting new professionals to move to town. Overall, we are very concerned that many of the recommendations in the report – in fact its apparent overall goal -- will tend to accelerate gentrification in the City and, ultimately, displace low-income wage-earners and people living on fixed incomes.

6. ***While tweaks may be warranted after 24 years, we strongly recommend keeping the major provisions of Inclusionary Zoning in place.*** The City is land-, lake- and river-locked on all sides. Unlike some of the urban areas it is compared to in the report, it cannot expand beyond current municipal boundaries.<sup>3</sup> With the exception of a handful of large, undeveloped parcels, it is also built-out. Limitations on land available for additional housing development make it all the more important to (a) concentrate on infill development, and (b) include housing that is affordable to low-income citizens in every housing development. Unless Inclusionary Zoning is continued in more or less its current form, the very workers that are employed in predominantly service sector jobs Downtown will not be able to live near their jobs. VAHC would support limited changes to update IZ and incorporate some of the lessons learned over its 24-year history. These might include simplifying its structure somewhat and increasing the unit threshold above which IZ applies. In the past, the Champlain Housing Trust has made suggestions along these lines, which we recommend the City implement.
7. ***A regional, “Fair Share” approach to affordable housing would be a positive step.*** Surrounding municipalities have substantially increased their support for affordable housing since the early 1990’s, when Burlington and Winooski provided the lion’s share of the county’s affordable housing. South Burlington, Shelburne, Colchester, Williston, Hinesburg, Richmond and Essex Junction, for example, have all stepped up to the plate and encouraged development of affordable housing. In addition, South Burlington is considering creating a Housing Trust Fund and implementing other recommendations from its Affordable Housing Task Force; Hinesburg has adopted Inclusionary Zoning; and Williston also has an Affordable Housing Task Force. Working with the Regional Planning Commission and with these and other surrounding communities, Burlington could play a leadership role in renewing the effort to expand support for affordable housing region-wide, whether through adoption of IZ in other jurisdictions, or through creation of a regional Fair Share plan.
8. ***Tax Increment Financing can be a helpful tool for affordable housing development.*** Changes in the TIF statute over the years have made it easier to harness this financing mechanism in the name of affordable housing. However, the City’s current TIF districts are not likely to be expanded, nor would it be possible to develop a third TIF district under current state law, which

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<sup>2</sup> This assumes that utilities are not included and uses the Vermont State Housing Authority’s utility allowances for two-bedroom apartments with natural gas, which total \$188 a month.

<sup>3</sup> Many cities in more sparsely settled areas of the country have expanded into unincorporated adjacent areas by annexation. For example, both Portland, Oregon and Boulder, Colorado have taken advantage of this practice in the past, though they have since adopted Urban Growth Boundaries in an effort to restrict sprawl.

is highly unlikely to change. This useful tool is thus limited to the current limits of the Downtown and Waterfront TIF districts.

- 9. We recommend creation of a new Affordable Housing Task Force.** The City has impaneled several such task forces over the last thirty years. Each has made key, forward-thinking, creative recommendations, many of which were implemented and have informed the City's history of housing successes. Instead of relying solely on the recommendations of an out-of-state consultant, not to mention the good thinking of City staff, why not create a new Affordable Housing Task Force, with representatives of all the stakeholders: City staff, nonprofit affordable housing developers and agencies, homeless service providers, the business community, for-profit developers, realtors, private landlords, etc. Let's harness the best minds locally to review the report, vet its recommendations and make its own comprehensive set of recommendations to take the City through the next ten years.

Thanks again for the opportunity to comment. We stand ready to assist the City in whatever way it deems appropriate to help with this effort over the coming months.

Sincerely,

A handwritten signature in cursive script that reads "Erhard Mahnke".

Erhard Mahnke  
Coordinator